

## Message Text

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ACTION EUR-12

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CIAE-00 COME-00 EB-07 FRB-01 INR-07 NSAE-00 CIEP-02

SP-02 STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01

DODE-00 PM-04 H-02 L-03 NSC-05 PA-02 PRS-01 SS-15

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TAGS: EIND, ETRD, EEC

SUBJECT: EC FORWARD PROGRAM FOR STEEL FOR THE FOURTH QUARTER,  
1975.

REF: A) EC BRUSSELS 7943

B) EC BRUSSELS 5377

1. SUMMARY: THE EC COMMISSION'S FORWARD PROGRAM FOR STEEL FOR THE FOURTH QUARTER PREDICTS A DROP IN OVERALL EC CRUDE STEEL PRODUCTION OF 23.6 PERCENT WITH VARIATIONS IN THE DIFFERENT MEMBER STATES. THE PRODUCTION ESTIMATES FOR EACH MEMBER STATE ARE TO SERVE AS GUIDES FOR STEEL PRODUCTION BY PRODUCERS IN EACH COUNTRY. END SUMMARY.

2. THE EC COMMISSION ON SEPTEMBER 17 APPROVED THE COMMISSION'S FORWARD PROGRAM FOR STEEL FOR THE FOURTH QUARTER OF 1975. (A COPY OF THE FORWARD PROGRAM HAS BEEN AIR POUCHED TO EUR/RPE, ATTENTION BRESLER.) THE PROGRAM WILL BECOME OFFICIAL IF IT IS ACCEPTED AT THE MEETING OF THE CONSULTATIVE COMMITTEE OF THE EUROPEAN COAL AND STEEL COMMUNITY  
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ON SEPTEMBER 29.

3. AS REPORTED IN REFTTEL A, THE COMMISSION IS EXPECTING A VERY BAD FOURTH QUARTER FOR THE EUROPEAN STEEL INDUSTRY. IT EXPECTS "APPARENT" STEEL CONSUMPTION IN THE EC TO DROP 20.5 PERCENT COMPARED TO THE SAME PERIOD IN 1974 AND REAL CONSUMPTION TO DECLINE BY 15 PERCENT. WITH EXPORT ORDERS ALSO FALLING, THE COMMISSION ESTIMATES THAT EC CRUDE STEEL PRODUCTION FOR THE FOURTH QUARTER WILL BE 29.95 MILLION TONS, A REDUCTION OF 23.6 PERCENT COMPARED TO THE FOURTH QUARTER OF 1974. THE EXPECTED REDUCTION WILL VARY FROM COUNTRY TO COUNTRY. DESPITE THE DIM OUTLOOK, THE COMMISSION IS AT THIS TIME REFRAINING FROM CALLING THE SITUATION A "MANIFEST CRISIS" AND STARTING PROCEDURES UNDER ARTICLE 58 OF THE EUROPEAN COAL AND STEEL TREATY. IT IS CONTINUING TO PRESS THE EC STEEL PRODUCERS TO USE THE FORWARD PROGRAM'S ESTIMATES AS INDICATIVE OF WHAT THEIR MAXIMUM LEVEL OF PRODUCTION SHOULD BE DURING THE FOURTH QUARTER. REPORTING REQUIREMENTS IMPOSED UPON STEEL PRODUCERS ( SEE REFTTEL B) ARE INTENDED TO INCITE THEM TO STICK TO THE COMMISSION'S INDICATIONS.

4. THE FORWARD PROGRAM PROVIDES TWO TABLES ONE ON OVERALL ESTIMATES AND A SECOND GIVING A PRODUCTION BREAKDOWN BY MEMBER STATES THE TABLES FOLLOW:

A. EXPECTED AVAILABILITIES OF AND REQUIREMENTS FOR STEEL PRODUCTS IN THE EC IN MILLIONM.T OF CRUDE STEEL:

OCT-DEC 1974 OCT-DEC 1975

1. REAL CONSUMPTION	31.00	26.35
2. STOCK CHANGES	-.05	-1.75
3. EXPORTS	9.93	7.00
4. IMPORTS	1.68	1.65
5. CRUDE STEEL PRODUCTION	39.20	29.65

B. CRUDE STEEL PRODUCTION IN MILLIONM.T.:

OCT-DEC 1974 OCT-DEC 1975 PERCENTAGE CHANGES

GERMANY	13.25	9.50	-28.3
FRANCE	7.09	5.20	-26.7
ITALY	6.06	5.00	-17.5
NETHERLANDS	1.53	1.05	-31.4

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BELGIUM-LUXEMBOURG	5.39	4.00	-25.8
UK	5.71	5.00	-12.4
IRELAND-DENMARK	.17	.20	PLUS 17.6
TOTAL FOR 9	39.20	29.95	-23.6

5. THE FORWARD PROGRAM OFFERS SEVERAL REASONS WHY THE STEEL PRODUCTIN IN THE EC HAS FALLEN FASTER THAN THE OVERALL INDUSTRIAL PRODUCTION IN THE EC. THESE

ARE: A) STEEL CONSUMERS HAVE RUN DOWN STOCKS AND ADJUSTED TO SHORTER DELIVERY TIMES. THEY ALSO HAVE CONVERTED STEEL STOCKS TO STOCKS OF FINISHED PRODUCTS IN ORDER TO MAINTAIN PRODUCTION AND EMPLOYMENT LEVELS; B) INDUSTRIAL SECTORS WHICH ARE MAJOR CONSUMERS OF STEEL HAVE SUFFERED MORE HEAVILY FROM THE RECESSION THAN INDUSTRY IN GENERAL; C) THE WORLD-WIDE RECESSION HAS HAD A GROWING EFFECT ON EXPORT DEMAND; D) MANY PRODUCERS HAVE REACHED THE LIMITS OF THEIR FINANCIAL AND/OR PHYSICAL CAPACITY TO CARRY FURTHER STOCKS OF SEMIS AND FINISHED PRODUCTS.  
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